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MEMORANDUM

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FROM: Ernest G. Johnson  
Director  
Utilities Division

EA for EGJ

2009 JAN 14 P 4: 19

AZ CORP COMMISSION  
DOCKET CONTROL

DATE: January 14, 2009

RE: IN THE MATTER OF THE JOINT APPLICATION OF ACCERIS  
MANAGEMENT AND ACQUISITION LLC AND COGNIGEN NETWORKS  
INC. FOR APPROVAL OF A TRANSFER OF ASSETS  
(DOCKET NOS. T-20376A-06-0795 AND T-04258A-06-0795)

Attached is the Staff Report for Acceris Management and Acquisition, LLC and Cognigen Networks, Inc. for approval of a transfer of assets. Staff recommends approval of this transfer. Staff further recommends that a hearing not be held in this matter.

EGJ:CLA:tdp

Originator: Candrea Allen

Attachment: Original and thirteen Copies

Arizona Corporation Commission  
DOCKETED

JAN 14 2009

DOCKETED BY	<i>MM</i>
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Service List for: Acceris Management and Acquisition, LLC and Cognigen Networks, Inc.  
Docket Nos.: T-20376A-06-0795 and T-04258A-06-0795;

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**STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION**


**ACCERIS MANAGEMENT AND ACQUISITION, LLC  
AND COGNIGEN NETWORKS, INC  
DOCKET NOS.: T-20376A-06-0795 AND T-04258A-06-0795**

**IN THE MATTER OF THE JOINT APPLICATION OF  
ACCERIS MANAGEMENT AND ACQUISITION, LLC  
AND COGNIGEN NETWORKS, INC FOR APPROVAL OF  
A TRANSFER OF ASSETS FROM COGNIGEN NETWORKS, INC  
TO ACCERIS MANAGEMENT  
AND ACQUISITION, LLC**

**JANUARY 14, 2009**

## STAFF ACKNOWLEDGMENT

The Staff Report for Acceris Management and Acquisition, LLC and Cognigen Networks, Inc., Docket Nos. T-20376A-06-0795 and T-04258A-06-0795, was the responsibility of the Staff member listed below. Candrea Allen was responsible for the review and analyses of the Companies' application for approval of a transfer of assets.



CANDREA ALLEN  
Public Utilities Analyst II

## **INTRODUCTION**

On December 20, 2006, Acceris Management and Acquisition, LLC ("Acceris") and Cognigen Networks, Inc., ("Cognigen") (together, "Applicants") filed, with the Arizona Corporation Commission ("Commission"), a notice stating that Cognigen intended to transfer its customer base to Acceris.

## **BACKGROUND**

On June 29, 2005, Acceris filed an application with the Commission for a Certificate of Convenience and Necessity ("CC&N") to provide resold long distance services in Arizona, in Docket No. T-04302A-05-0478. Acceris' application for a CC&N is currently pending. Acceris also conducts business under the trade names Acceris Communications or WorldxChange. Acceris is a direct wholly owned subsidiary of North Central Equity LLC ("North Central"). North Central is a privately held holding company established in 2004. Both North Central and Acceris are organized under the laws of Minnesota. Acceris' headquarters are located in San Diego, California where it is authorized to provide telecommunications services. Acceris is currently providing long distance services to residential and small, medium, and large business customers throughout the United States.

On January 4, 2005, in Decision No. 67462, the Commission granted Cognigen a CC&N to provide resold long distance telecommunications services in the State of Arizona. Cognigen currently provides service to residential and business customers in Arizona and several other states.

Acceris and Cognigen entered into an Asset Purchase Agreement on or about October 13, 2006. The companies request approval to transfer the following assets from Cognigen to Acceris: (1) 138 business customers within Arizona; (2) all relevant customer information from the customer lists, if any; customer agreements, customer billing and collection data, the complete billing history from each customer account; and (3) all cash and cash equivalents attributable to the transferred customers.

## **PROPOSED TRANSACTION**

Acceris will acquire customers and certain assets specific to those customers from Cognigen. The assets located in Arizona that the Applicants are proposing to transfer include: the existing 138 business customers, all information pertaining to the affected customers' accounts, and the cash and cash equivalents attributable to the customers being transferred. There are no service contracts between the applicants and the customers.

Cognigen currently plans to retain its authorization to provide telecommunications services to those customers not being acquired by Acceris. Thus, Cognigen does not wish to cancel its CC&N to provide service in Arizona. There are no foreseen layoffs of Cognigen's employees as a result of this transaction.

## **STAFF ANALYSIS**

The Applicants have submitted a copy of the proposed written customer notice that will be provided to the affected customers within 30 days from a Commission Order. Staff has reviewed the proposed customer notice and has determined that it meets the Commission's notice requirements.

Staff does not believe that this transaction will have a negative impact on the customers involved in this transaction nor will it negatively impact the competitive nature of the market. Cognigen's customers will continue to receive their existing service at the same rates, terms, and conditions that they had prior to the transfer and any future change in rates, terms, and conditions of service will be made in accordance with Commission regulations. The Applicants also state that Acceris is a strong company that will continue to provide high quality service to Cognigen customers.

## **STAFF RECOMMENDATIONS**

Staff recommends that the joint application between Acceris and Cognigen, to transfer customers and assets specific to those customers from Cognigen to Acceris, be approved pursuant to A.R.S. §40-285 with the following condition(s):

1. That the current Cognigen business customers have 90 days following the date of the Commission's Order to transfer to another carrier without penalty if they so choose.